MOOSE LAKE LOGGERS LTD.

ANNUAL REPORT

1983-84

MOOSE LAKE LOGGERS LTD.

BOARD OF DIRECTORS

Clement Jones - Chairperson
Manager, Ducks Unlimited

F. G. Marvin
President, Spruce Products Ltd.

H. Holmgren
President, E. Holmgren & Sons

R. Grey
Foreman, Moose Lake Loggers Ltd.

H. Boyle
Regional Manager, Department of Natural Resources

L. Easter
Band Member, Moose Lake Indian Band

J. Martin
Welder, Moose Lake Community

J. Mercredi
Logger, Moose Lake Loggers Ltd.

G. P. Trithart
Director, Corporate Projects
Department of Northern Affairs

OFFICERS

Clement Jones
President

R. J. Kivisto
General Manager

G. P. Trithart
Secretary/Treasurer

HEAD OFFICE: Moose Lake, Manitoba

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The Year Ended March 31, 1984.

ANNUAL REPORT - MOOSE LAKE LOGGERS LTD.

APRIL 1, 1983 - MARCH 31, 1984

I. INTRODUCTION

Moose Lake Loggers Ltd. is a Crown Corporation formed in 1971 under the authority of the Manitoba Natural Resources Development Act for the purpose of establishing an economically viable logging operation providing employment for residents of Moose Lake and surrounding areas. The Corporation also has a mandate to train local residents to fill the jobs created, with the ultimate goal being management by local residents.

The Company uses skidders to harvest sawlogs and pulpwood for sale to Manitoba Forestry Resources Ltd. in The Pas. Most of the Company's employees are native people from Moose Lake, Manitoba, a community located near valuable forestry resources but with a traditionally serious lack of employment opportunities.

II. MAJOR DEVELOPMENTS

Following six years of continuous losses to March 31, 1977 (the accumulated total of which was $551,000), the Company has experienced profits in four of the last seven years of operation as follows:

Year Ending March 31st.	Profit (Loss)
1984	$ (51,042)
1983	1,029
1982	(98,286)
1981	127,544
1980	(18,306)
1979	54,420
1978	52,994

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Despite the many operational problems which have been encountered over the past seven years and a poor world market in recent times, the Company is encouraged with its performance which no longer relies on Government subsidy.

Credit for the improved performance must be attributed to the General Manager, Mr. Reino Kivisto, and his staff who have worked tirelessly with the Company's Board of Directors and the Community of Moose Lake. The people of Moose Lake have also genuinely participated in the Company's success through their representation on the Board of Directors, through the support provided by their elected leaders, and most importantly, through the hard work of the Company's employees from Moose Lake.

Poor world markets in the pulp, paper and lumber industries resulted in limitations on the Company's sales of pulpwood in 1983-84. Consequently, this is the third consecutive year in which the Company was producing below capacity.

The cutbacks in sales necessitated a four and one half month layoff of piece workers and other employees. This layoff was, in part, offset by a twelve week reforestation (tree thinning) program employing 48 individuals. The reforestation program was sponsored and paid for by the Governments of Canada and Manitoba and Moose Lake Loggers Ltd.

During the fiscal year 1982-83 a computerized bookkeeping system was instituted and is now working efficiently and effectively. Timely and accurate results are providing Management with a key tool for minimizing costs. This is especially important when cutbacks in sales are being experienced.

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Production now originates from twenty seven Owner/Operated machines, of which twenty are owned by Indian entrepreneurs from the area. Owner/Operators (an operational objective of the Company) are individuals who own and operate their own skidder utilizing a two/three man crew. Once a local resident has developed the necessary skills and demonstrated a willingness to be a steady employee, the Company encourages him/her to become an Owner/Operator.

Art Gagnon, the Company's Office Manager for many years, died suddenly in January, 1984. His diligent performance and understanding of employees special needs will be sadly missed. He has been replaced by his trainee, Robert Michano (Indian ancestry).

III. REVIEW OF RESULTS

A. Financial Results

Appended to this report are the Provincial Auditor's audited financial statements for the year ended March 31, 1984. These statements report a loss of $51,042 for 1983-84 compared to a profit of $1,029 for the previous year.

Net loss for the period under review can be attributed to a production decrease of 7,811 cords from the previous year. The year's production level was 22,800 cords under the normal production capacity of 72,000 cords. Losses were kept to a minimum of $51,042 by cost saving measures implemented by Management. As well, the twelve week reforestation program offset some supervisory wages and camp costs.

Manitoba Forestry Resources Ltd. is the sole market for the Company. Their depressed market for paper and lumber sales resulted in contract cutbacks for the third consecutive year.

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The following table provides key results of the Company for the last nine fiscal years:

Year Ending March 31st	Production Revenue	Wages & Fringe Benefits	Owner/Operator Rentals	Employment
1984	$2,421,091	$1,578,101	$515,286	74
1983	2,782,529	1,658,611	549,773	68
1982	2,587,539	1,662,882	563,575	67
1981	2,809,289	1,689,121	587,374	68
1980	2,077,031	1,343,031	396,453	59
1979	1,952,382	1,262,000	319,779	57
1978	1,943,545	1,285,000	214,663	58
1977	881,830	745,000	68,052	42
1976	649,758	518,000	24,539	34

B. Production

Production in fiscal year 1983-84 was 49,200 cords, a reduction of 7,811 cords from the previous year. This reduction was a direct result of the reduced needs of Manitoba Forestry Resources Ltd. and necessitated a shutdown of operations for five months, (15 weeks in 82-83), including the traditional two week break at Christmas.

A comparison of annual production, in cords, for the last nine years is provided in the following table:

Year Ending March 31st	Company Skidders	Owner/ Operators	Total
1984	-	49,200	49,200
1983	-	57,011	57,011
1982	-	65,532	65,532
1981	-	81,564	81,564
1980	-	68,034	68,034
1979	14,989	51,167	66,606
1978	21,450	39,540	60,990
1977	24,960	6,770	31,730
1976	20,150	4,790	24,940

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This is the fifth consecutive year in which 100% of the Corporation's pulpwood production came from Owner/Operators. The Company's objective of converting from Company owned machines to skidder Owner/Operators has resulted in increased production. Some 74% (20 of 27 skidders) of these machines are now owned and operated by local native residents of the area.

Absenteeism remains the major problem affecting production and still demands a considerable amount of supervision.

C. Other Benefits

Employment now totals 74 (68 in 1983) employees, an increase of 9%. The increase is primarily due to the fact that some Owner/Operators decided to increase their operation from two to three man crews, thus making the machine more productive. Approximately 80% of those employed are Indian residents of Moose Lake, Cormorant, Cranberry Portage and The Pas. Excluding The Pas, there is little or no alternate employment in these communities, except for traditional commercial fishing and trapping which is seasonal at best. Included in the 74 employees are 59 piece workers, 7 hourly and 8 salaried staff. It is interesting to note that the average annual salary exceeded $20,000 ($24,000 in the two prior years) in spite of lengthy shut-downs.

The Company maintains a store facility which provides a variety of clothing, confectionary items and saw parts for employees. Parts and services for Owner/Operators are also ordered, however, some Owner/Operators have developed to the stage where they operate quite independently from the Company.

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D. Training

The Company continues to provide on the job training. This training has produced the following favourable results.

	Total Staff		Native Staff	
	1983/84	1982/83	1983/84	1982/83
Office	3	3	3	2
Foreman	3*	3*	3*	3*
Kitchen and Dorms	7	7	7	7

* One part-time

MANITOBA

PROVINCE OF MANITOBA
PROVINCIAL AUDITOR

MOOSE LAKE LOGGERS LTD.

REPORT OF THE PROVINCIAL AUDITOR'S OFFICE

We have examined the balance sheet of Moose Lake Loggers Ltd. as at March 31, 1984 and the statements of retained earnings, revenues and expenditures, and changes in financial position, and the schedule of operating expenditures for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Company as at March 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

W. K. Ziprick, C.A.,
Provincial Auditor.

October 3, 1984,
Winnipeg, Manitoba.

Exhibit A

MOOSE LAKE LOGGERS LTD.

Balance Sheet
as at March 31, 1984
(with 1983 figures for comparison)

ASSETS

	1984	1983
Current assets:		
Accounts receivable:		
Trade	$ 182,417	$ 310,677
Employees	12,970	5,581
Province of Manitoba	6,194	2,882
	201,581	319,140
Loans receivable from sub-contractors re purchase of equipment - unsecured	89,790	80,983
Inventories, at cost	63,690	44,743
Prepaid expenses	3,667	2,680
Total current assets	358,728	447,546
Fixed assets, at cost: (Note 4)		
Buildings and trailers	509,829	507,493
Less accumulated depreciation	244,297	173,427
	265,532	334,066
Equipment	268,172	197,755
Less accumulated depreciation	155,496	124,631
	112,676	73,124
Other assets, at cost: (Note 4)		
Campsite improvements	116,817	115,986
Less accumulated amortization	59,015	32,906
	57,802	83,080
Main road construction	235,321	235,321
Less grants received	156,000	156,000
	79,321	79,321
Less accumulated amortization	59,437	54,512
	19,884	24,809
Total fixed and other assets	455,894	515,079
	$ 814,622	$ 962,625

Approved by the Board:

Director _____

Director _____

LIABILITIES AND SHAREHOLDERS' EQUITY

	1984	1983
Current liabilities:		
Bank overdraft	$ 61,322	$ 112,342
Accounts payable and accrued liabilities:		
Trade	30,274	41,463
Province of Manitoba	3,666	3,236
Wage deductions	74,622	65,137
Employees	40,810	10,266
	149,372	120,104
Total current liabilities	210,694	232,446
Conditional sales agreement (secured) (Note 5)	199,483	274,672
Total liabilities	410,177	507,118
Shareholders' equity:		
Capital stock (Note 2):		
Authorized - 35,000 common shares for a maximum consideration of $350,000		
Issued and fully paid - 30,009 common shares	300,090	300,090
Contributed surplus:		
Grant from the Government of Canada towards capital expenditures	5,720	5,720
Retained earnings, Exhibit B	98,635	149,677
Total shareholders' equity	404,445	455,487
	$ 814,622	$ 962,625

Exhibit B

MOOSE LAKE LOGGERS LTD.

Statement of Retained Earnings
for the year ended March 31, 1984
(with 1983 figures for comparison)

	1984	1983
Balance, beginning of year	$ 149,677	$ 148,648
Less: Revenues (under) over expenditures, Exhibit C	(51,042)	1,029
Balance, end of year, Exhibit A	$ 98,635	$ 149,677

Exhibit C

MOOSE LAKE LOGGERS LTD.

Statement of Revenues and Expenditures
for the year ended March 31, 1984
(with 1983 figures for comparison)

	1984	1983
Revenues:		
Log cutting contracts -		
Manitoba Forestry Resources Ltd.	$ 2,421,091	$ 2,782,529
Commissary sales	247,045	219,507
Reforestation Program (Note 6)	145,467	-
Board charges	47,796	44,352
Trainee reimbursement	39,437	1,700
Road maintenance	18,629	30,257
Interest income	4,808	8,384
Equipment rental	4,164	3,165
Accounting service fees	3,200	4,250
Miscellaneous	10,107	3,030
	2,941,744	3,097,174
Expenditures, Exhibit E:		
Log cutting contracts	1,847,099	1,973,522
Camp operations	810,081	885,704
General and administrative	231,338	236,919
Reforestration Program (Note 6)	104,268	-
	2,992,786	3,096,145
Revenues (under) over expenditures, Exhibit B	$ (51,042)	$ 1,029

Exhibit D

MOOSE LAKE LOGGERS LTD.

Statement of Changes in Financial Position
for the year ended March 31, 1984
(with 1983 figures for comparison)

	1984	1983
Source of funds:		
Operations:		
Revenues (under) over expenditures	$ (51,042)	$ 1,029
Add: Charges not involving an outlay of funds - depreciation and amortization	137,896	136,288
	86,854	137,317
Loss on sale of fixed assets	327	2,780
	87,181	140,097
Proceeds from sale of fixed assets	512	3,037
	87,693	143,134
Use of funds:		
Purchase of fixed and other assets	79,550	11,620
Conditional sales agreement	74,989	70,986
	154,539	82,606
Increase (decrease) in working capital	$ (66,846)	$ 60,528

MOOSE LAKE LOGGERS LTD.

Schedule of Operating Expenditures
for the year ended March 31, 1984
(with 1983 figures for comparison)

	1984	1983
Log cutting contracts:		
Wages and benefits	$ 1,193,994	$ 1,300,028
Equipment rental	515,286	549,773
Fuel and oil	66,211	80,624
Miscellaneous supplies	33,188	12,860
Repairs and maintenance	32,389	23,934
Depreciation	5,237	4,546
Insurance	794	572
Travel	-	1,185
Exhibit C	1,847,099	1,973,522
Camp operations:		
Wages and benefits	187,362	214,330
Depreciation	109,269	109,084
Provisions	92,752	116,338
Fuel and oil	86,115	93,432
Repairs and maintenance	63,364	70,800
Interest on conditional sales agreement (Note 5)	26,936	45,426
Insurance	7,700	7,671
Amortization - main road	4,924	5,708
Freight	4,910	7,146
Equipment rental	2,851	16,461
Commissary:		
Purchases	226,445	198,164
Add: Opening inventory, at cost	14,799	15,943
Deduct: Closing inventory, at cost	(17,346)	(14,769)
	223,898	199,308
Exhibit C	810,081	885,704
Carried forward	$ 2,657,180	$ 2,859,226

MOOSE LAKE LOGGERS LTD.

Schedule of Operating Expenditures
for the year ended March 31, 1984
(with 1983 figures for comparison)

	1984	1983
Brought forward	$ 2,657,180	$ 2,859,226
General and administrative:		
Wages and employee benefits	134,689	140,140
Health and post secondary education tax levy	20,714	17,998
Depreciation	17,425	16,950
Professional fees	15,700	17,222
Fuel and oil	12,084	6,578
Communications	5,841	4,592
Travel	5,455	10,772
Directors' fees and salaries	4,319	4,113
Stationery and supplies	3,576	3,984
Insurance	2,628	2,191
Repairs and maintenance	2,542	1,354
Directors' travel	1,971	1,957
Loss on sale of fixed assets	327	2,780
Profit sharing plan	-	4,200
Bad debt expense	-	357
Miscellaneous	4,067	1,731
Exhibit C	231,338	236,919
Reforestation Program:		
Wages and benefits	57,737	-
Provisions	23,884	-
Equipment rental	10,671	-
Miscellaneous supplies	9,280	-
Fuel and oil	1,752	-
Miscellaneous	944	-
Exhibit C	104,268	-
Total expenditures, Exhibit C	$ 2,997,286	$ 3,096,145

MOOSE LAKE LOGGERS LTD.

Notes to Financial Statements
for the year ended March 31, 1984

1. Accounting Policies

The accounting policies of the company are in accordance with generally accepted accounting principles and their basis of application, is consistent with that of the preceding year.

Fixed assets:
Fixed assets are stated at cost. It is the company's policy to provide for depreciation and amortization of fixed assets on the basis shown in note 4.

Revenue recognition:
Pulpwood sales are recognized on the basis of pulpwood delivered to roadside and scaled in accordance with the terms of the sales contract.

2. Capital Stock

The issued shares are held by the Province of Manitoba except for nine shares which are held by the appointed directors in trust for Her Majesty the Queen in right of the Province of Manitoba.

3. Services Provided by the Province

The Province of Manitoba provides the services of the Secretary-Treasurer and other miscellaneous administrative services at no charge to the Company. The Province also provides Workers Compensation coverage for Company staff at no charge to the Company.

4. Fixed Assets

The Company depreciates its fixed assets and amortizes its other assets on the following basis:

	Annual Rate
A) Depreciation	
a) Straight line	
Buildings	10-33 1/3%
Trailers	15-33 1/3%
Equipment	20-33 1/3%
b) Diminishing balance	
Trucks	30%

MOOSE LAKE LOGGERS LTD.

Notes to Financial Statements
for the year ended March 31, 1984

4. Fixed Assets (continued)

	Annual Rate
B) Amortization	
a) Straight line	
Campsite improvements	12 1/2 - 33 1/3%
b) Other	
Main road construction	10 cents per cord sold

5. Conditional Sales Agreement

The conditional sales agreement reflects the amount owing on the purchase of the Talbot Lake camp from Manitoba Forestry Resources Ltd., a company wholly-owned by the Province of Manitoba. The principal and interest, at the prime rate charged monthly by Manitoba Forestry Resources Ltd., is repayable over eight years with the final payment due October 1, 1989. The yearly repayment is based on an allowance per cord sold.

6. Reforestation Program

The Company undertook a reforestation program under an employment creation agreement with the Province of Manitoba, the Government of Canada and the International Woodworkers of America (Local 1-324). The agreement provides that the Company recovers all expenditures pertaining to the reforestation program. The excess of revenue over expenditure pertaining to the program results from the indirect expenditure pertaining to camp operations and administration not being allocated to the program.